



## Hidden Markets: Global Patterns in the Privatization of Education?

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Both in the U.S. and abroad, there exists a political movement in support of education reforms based on the logic of the market that assumes that business strategies can and should transfer to education. The rise of the private provision of public education services reflects such marketplace values as outsourcing, limited

government regulation, competition and choice. It also incorporates elements of government contracting and vouchers.<sup>1</sup>



As I argue in *Hidden Markets, The New Education Privatization*, these developments deserve close attention by those who want schooling that is equitable, responsible and effective.<sup>2</sup> The book focuses on the manifestation of the phenomenon in K-12 education in the United States although the trends are global and overlap with pre-school education and higher education. As noted below, several of the largest firms in the industry are multi-national; companies are marketing product lines sold in the U.S. to governments in the former Soviet Bloc, Australia, and South Africa, and the United Kingdom. Further, U.S. based companies are outsourcing aspects of the work (for example, technical support and computer programming) to overseas subcontractors in the interest of reducing labor costs, such as the costs of tutors.

Companies also are attempting to leverage economies of scale by selling the same product (e.g. test scoring systems) to different governments and marketing them as local products.

In the United States, the Bush administration has used Federal education policy and the No Child Left Behind Act as part of its broader agenda to increase the role of the private sector in the provision of public services. Some of the largest of the firms garnering revenue under NCLB, such as Edison, Kumon, and Pearson have multi-national headquarters; they receive both public and private financing from

governments and private investors throughout the world. The reach of global companies into local markets is facilitated by technological developments in particular the rise of the Internet which allows firms to make fast in-roads into communities while managing systems and products (e.g., technical support for test scoring, on-line tutoring) from a centralized location.

In the United States and throughout parts of the world, the emerging education market includes the introduction of new categories of schools that are publicly funded while garnering private profits—which for the multi-national companies can be reinvested internationally, e.g., to expand product development in other regions of the world. It includes private contracts for test creation, test analysis and test reporting that are directly connected to schools' ratings and their "right to operate". For example, in the United States, there is a growing business in management intervention contracts for districts not making test score targets. Several of the consulting firms active in this market also sell their educational consulting services to the governments of other nations with high stakes testing policies. In the United States, Canada, Eastern Europe and South Africa, private companies also are increasingly active in markets aimed at remedial instruction for students with special needs and/or for whom public school systems historically have failed including students identified as requiring after school or summer school instruction, students suspended from school, and students identified as poor performers on the basis of test scores.

There are three main themes emerging from my project that have relevance internationally. First, while current forms of government contracting in education are justified as local needs, they derive from broader institutional arrangements including economic and ideological power plays and crises.<sup>3</sup> In the United States, schools and local authorities face a barrage of external pressures to *do* something about the achievement gap, including pressures to use education to 'magically make' the US globally competitive. In a policy context defined increasingly by the marketplace, doing something about the achievement gap becomes purchasing something from the private sector. These purchases (in the form of government contracts) typically occur in the absence of any clear evidence of product effectiveness. The contract sends the signal that the local government is serious about education as a policy priority. For the short term, it buffers the local government from scrutiny and intervention by higher authorities.

In this context, rather than breaking the mold, private firms in the education market can end up reproducing the worst practices of public schooling, offering low-income students “more of the same” and at significant cost.

Second, both in the United States and abroad, education policy is helping to authorize the changes by underwriting the risks for firms. For example, policies such as NCLB act directly on the market and relationships between public schools and private firms by generating demand. Policy also underwrites the changes through statutes and rules that limit financial risks to private firms. For example, the supplemental educational services provisions under NCLB mandate after school programming in schools not making test score targets. The law makes funds available to private firms paired with weak oversight of their activities. The firms operating in the tutoring market report revenue in the millions, yet closer analysis of their financial statements reveal shaky financial performance—high costs, low rates of return, increasing debt. In the United States, government protection of these firms reflects a broader dynamic (spurred by the current global market crises) whereby governments are perceived as playing a legitimate role in the financing, protection (and if the analogy to the banking and auto industries holds) and costly bailout of private industry.

Third, we tend to equate the public sector with large bureaucracy and the private sector with more efficient, flexible and network-oriented forms of organization. In fact, the providers now “trading” in the new education market place are situated squarely in the same institutional environment as schools. In broad strokes, this institutional frame reflects embedded routines and rituals for the organization of schooling.

This institutional template for schooling can have a conservative influence on schools and keep reform ideas from becoming or achieving anything new. In this context, rather than breaking the mold, private firms in the education market can end up reproducing the worst practices of public schooling, offering low-income students “more of the same” and at significant cost.

In closing, it is important to recognize that private firms have a role to play in public education; they long have acted as suppliers to education and will continue to do so. However, as I argue in the book, much more attention is needed to these

developments. The governance of public education is not just another education market. The distinction between public policy and private markets in education as in other sectors is very important and it is worth defending.

## Notes

<sup>1</sup> Ball, S. (2007). *Education Plc. Understanding private sector participation in public sector education*. London: Routledge.

<sup>2</sup> Burch, P. (2009). *Hidden Markets: The New Education Privatization*. New York: Routledge.

<sup>3</sup> On this point, see also, M.W. Apple (2006). *Educating the Right Way: Markets, Standards, God and Inequality*. New York: Routledge.

## Tags

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